KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD

Financial Statement For First Quarter 2004

1 UNAUDITED RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2004

The Directors of **Keppel Telecommunications & Transportation Ltd** advise the following unaudited results of the Group for the three months ended 31 March 2004.

1 (a) GROUP PROFIT AND LOSS ACCOUNTS for the three months ended 31 March

	2004 3 Months $'000	2003 3 Months $'000	+/(-) %
TURNOVER	50,293	64,217	(21.7)
Less operating expenses	(47,334)	(65,197)	(27.4)
OPERATING PROFIT/(LOSS)	2,959	(980)	NM
Investment income	-	1,620	(100.0)
Interest income	83	146	(43.2)
Interest expense	(1,450)	(1,233)	17.6
Share of results of associated companies and jointly controlled entity	7,394	6,878	7.5
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	8,986	6,431	39.7
Exceptional items	1,009	170	493.5
PROFIT BEFORE TAXATION	9,995	6,601	51.4
Taxation	440	(2,565)	NM
PROFIT AFTER TAXATION	10,435	4,036	158.5
Minority interests	(664)	(973)	(31.8)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	9,771	3,063	219.0
Comprising;			
Profit before exceptional items	**8,762**	**2,893**	202.9
Exceptional items	1,009	170	493.5
	9,771	3,063	219.0
Earnings per share (cents)			
Before exceptional items			
- basic	1.61	0.53	
- diluted	1.61	0.53	
After exceptional items			
- basic	1.79	0.56	
- diluted	1.79	0.56	

NM – not meaningful

Notes:

(i) Operating expenses comprise the following:

	2004 3 Months $'000	2003 3 Months $'000
Purchase of goods and services	26,089	33,881
Staff costs	10,000	14,476
Depreciation of fixed assets	3,290	4,066
Amortisation	321	359
Other operating expenses	7,634	12,415
	47,334	65,197

(ii) Operating profit/(loss) is arrived at after charging/(crediting) the following:

	2004 3 Months $'000	2003 3 Months $'000	+/(-) %
Provision for doubtful debts and bad debts written off	2	14	(85.7)
Foreign exchange (gain)/loss	(35)	123	NM
Loss on sale of fixed assets	20	3	566.7

(iii) The Group's tax credit included a write-back of deferred tax of $1,183,000 resulting from the reduction in Singapore corporate tax rate from 22% to 20%, an under-provision in taxation expense of $31,000 and recognition of tax assets under the Group Relief System of $1,362,000.

(iv) Exceptional items consist of:

	2004 3 Months $'000	2003 3 Months $'000
Net gain on sale of vessels	5,627	-
Gain on disposal of other investments	-	304
Provision for other investments	(431)	-
Provision for impairment of assets	(248)	-
Staff compensation and restructuring of		
- Network Engineering and Logistics operations	(3,939)	(134)
	1,009	170

(v) There was no extraordinary item during the quarter.

(b)(i) BALANCE SHEETS as at 31 March 2004

	Group		Company	
	31.3.2004	31.12.2003	31.3.2004	31.12.2003
	$'000	$'000	$'000	$'000
SHARE CAPITAL	109,152	109,152	109,152	109,152
RESERVES	123,012	113,697	30,987	30,954
SHARE CAPITAL AND RESERVES	232,164	222,849	140,139	140,106
MINORITY INTERESTS	29,580	28,942	-	-
CAPITAL EMPLOYED	261,744	251,791	140,139	140,106
Represented by:				
FIXED ASSETS	211,544	232,036	-	-
INVESTMENTS				
Subsidiaries	-	-	225,897	225,897
Associated companies and jointly controlled entity	121,269	120,845	16,471	16,471
Others	22,124	20,787	6,621	6,621
	143,393	141,632	248,989	248,989
INTANGIBLE ASSETS	12,995	13,316	-	-
DEFERRED TAX ASSETS	8,251	9,587	-	-
CURRENT ASSETS				
Stocks and work-in-progress	15,454	17,972	-	-
Debtors	113,039	125,093	44	8
Amounts owing by holding and related companies	522	1,038	5,645	58,218
Amounts owing by associated companies	17,142	8,521	-	-
Fixed deposits	18,469	18,857	2,792	6,292
Bank balances and cash	53,450	23,745	38	62
	218,076	195,226	8,519	64,580
LESS: CURRENT LIABILITIES				
Creditors	75,625	77,995	540	498
Amounts owing to holding and related companies	186,395	148,629	108,968	165,014
Amounts owing to associated companies	6,883	6,957	6,860	6,860
Short-term borrowings	24,929	24,959	-	-
Taxation	1,967	2,178	148	154
Bank overdrafts	-	109	-	-
	295,799	260,827	116,516	172,526
NET CURRENT LIABILITIES	(77,723)	(65,601)	(107,997)	(107,946)
NON-CURRENT LIABILITIES				
Long-term borrowings	35,556	77,916	-	-
Deferred taxation	1,160	1,263	853	937
	36,716	79,179	853	937
NET ASSETS	261,744	251,791	140,139	140,106

(b)(ii) GROUP'S BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 31 Mar 2004		As at 31 Dec 2003	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
7,000	203,898	7,030	165,933

Amount repayable after one year

As at 31 Mar 2004		As at 31 Dec 2003	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
20,250	15,306	22,000	55,916

Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The net book value of properties and other assets pledged/mortgaged to financial institutions amounted to $74.9 million. (31 December 2003: $75.4 million)

1(c) CONSOLIDATED CASH FLOW STATEMENT
for the three months ended 31 March

	2004 3 Months $'000	2003 3 Months $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit/(loss)	2,959	(980)
Adjustments:		
Depreciation of fixed assets	3,290	4,066
Amortisation	321	359
Loss on sale of fixed assets	20	3
Translation of foreign companies	(454)	168
Operating profit before changes in working capital	6,136	3,616
Working capital changes:		
Stocks	2,518	9,020
Debtors	9,854	(1,787)
Creditors	(4,857)	(16,542)
Cash from/(used in) operations	13,651	(5,693)
Interest received	94	183
Interest paid	(1,971)	(1,626)
Income taxes paid	(582)	(781)
Tax benefit arising from losses transferred	2,125	-
Staff compensation and restructuring expenses	(1,531)	(2,040)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	11,786	(9,957)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of subsidiary (Note A)	-	355
Purchase of other investments	(2,053)	(349)
Proceeds from disposal of other investments	-	304
Return of capital from other investments	284	-
Acquisition of fixed assets	(2,206)	(1,759)
Proceeds from sale of fixed assets	26,240	81
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	22,265	(1,368)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from share issues	-	10
Repayment of term loans	(1,780)	(1,804)
Proceeds from term loans	-	2,905
Funds to holding and related companies	(2,328)	(7,189)
Funds to associated companies	(517)	(119)
NET CASH USED IN FINANCING ACTIVITIES	(4,625)	(6,197)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	29,426	(17,522)
Cash and cash equivalents as at 1 January	42,493	70,500
Cash and cash equivalents as at 31 March (Note B)	71,919	52,978

Notes to Consolidated Cash Flow Statement

A. **Disposal of Subsidiary**

During the financial period, the fair values of net assets and liabilities of a subsidiary disposed were as follows:

	2004 $'000	2003 $'000
Fixed assets	-	(909)
Stocks, debtors and creditors	-	554
Bank balances and cash	-	(106)
	-	(461)
Net profit on disposal	-	-
Sale proceeds	-	(461)
Add:		
Bank balances and cash disposed	-	106
Cash inflow on disposal, net of cash disposed	-	(355)

B. **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and bank balances, fixed deposits, net of bank overdrafts. Cash and cash equivalents in the consolidated cash flow statements comprise the following balance sheet amounts;

	2004 $'000	2003 $'000
Fixed deposits	18,469	27,903
Bank balances and cash	53,450	25,965
Bank overdrafts	-	(890)
	71,919	52,978

1(d)(i) STATEMENTS OF CHANGES IN EQUITY
for the three months ended 31 March

	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Accumulated Losses $'000	Foreign Currency Translation Reserves $'000	Total $'000
The Group						
Balance at 1 January 2004	109,152	206,641	13,146	(110,830)	4,740	222,849
Profit for the period	-	-	-	9,771	-	9,771
Exchange differences arising on consolidation	-	-	-	-	(456)	(456)
Balance at 31 March 2004	109,152	206,641	13,146	(101,059)	4,284	232,164
Balance at 1 January 2003	109,144	206,630	12,078	(106,530)	7,807	229,129
Issue of shares	4	6	-	-	-	10
Profit for the period	-	-	-	3,063	-	3,063
Exchange differences arising on consolidation	-	-	-	-	20	20
Balance at 31 March 2003	109,148	206,636	12,078	(103,467)	7,827	232,222

	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Accumulated Losses $'000	Foreign Currency Translation Reserves $'000	Total $'000
The Company						
Balance at 1 January 2004	109,152	206,641	9,025	(184,712)	-	140,106
Profit for the period	-	-	-	33	-	33
Balance at 31 March 2004	109,152	206,641	9,025	(184,679)	-	140,139
Balance at 1 January 2003	109,144	206,630	9,025	(180,047)	-	144,752
Issue of shares	4	6	-	-	-	10
Profit for the period	-	-	-	1,606	-	1,606
Balance at 31 March 2003	109,148	206,636	9,025	(178,441)	-	146,368

1(d)(ii) SHARE CAPITAL

Since the end of the previous period, there was no issue of shares by the Company. The share capital of the Company as at the end of the financial period was 545,761,537 shares of $0.20 each.

As at 31 March 2004, there were unexercised options for 7,311,000 (31 March 2003: 12,805,000) unissued shares of $0.20 each under the Company's Share Option Scheme.

2. AUDIT

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

N.A.

4. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2003.

5. CHANGE IN ACCOUNTING POLICY

N.A.

6. EARNINGS PER ORDINARY SHARE

	GROUP		
	2004 3 Months	2003 3 Months	+/(-)%
Earnings per Ordinary Share of the Group for the financial period based on net profit attributable to shareholders:-			
(i) Based on the weighted average number of shares (cents)	1.79	0.56	219.6
- Weighted average number of shares	545,761,537	545,733,204	0.0
(ii) On a fully diluted basis	1.79	0.56	219.6
- Adjusted weighted average number of shares	545,783,419	545,765,349	0.0

7. NET ASSET VALUE

	GROUP			COMPANY		
	31.3.2004	31.12.2003	+/(-)%	31.3.2004	31.12.2003	+/(-)%
Net asset value per Ordinary Share based on issued share capital at the end of the financial period/ year ($)	0.43	0.41	4.9	0.26	0.26	-

8. REVIEW OF GROUP PERFORMANCE

Turnover

Group turnover was 22% lower than the corresponding period in 2003. Network Engineering chalked up lower invoicing during the quarter, but this should improve in the next quarter. As a result of the scaling down of the Vietnam feeder service, shipping revenue was also lower. Investment segment also had lower revenue due to divestment of unprofitable businesses.

Profitability

Group profit before tax and exceptional items of $9.0 million was 40% higher than the corresponding period in 2003. All business segments except Logistics achieved higher profitability.

Network engineering turned in a profit of $0.7 million compared to a loss of $1.1 million in the first quarter of 2003 as its restructuring bore fruit. Shipping division nearly trebled its pre-tax profit to $1.8 million as a result of higher charter rates while Investment segment improved its pre-tax profit by 42% to $5.3 million with the divestment of unprofitable operations. Profit contribution from MobileOne remained on track.

Profit for the Logistics segment however was 63% lower mainly because the dividend income from an airfreight terminal company was received in the second quarter and hence would be booked in the second quarter. Profit contribution from port operation in Foshan also dipped compared to higher throughput in the first quarter of 2003.

Group profit after taxation rose 159% to $10.4 million due to improved operating performances as well as tax adjustments and exceptional gains from the disposal of vessels.

At the attributable level, profit more than trebled to $9.8 million.

Save as disclosed, in the opinion of the Directors, no factor has arisen between the end of the current period and the date of this report which would materially affect the results of the Group and of the Company for the three months just ended.

9. VARIANCE FROM PROSPECTS STATEMENT

No variance from previous statement.

10. PROSPECTS

The Group recently announced the sale of its entire fleet of ships. Upon the completion of the sale, the Group would have effectively divested its shipping business.

Although market conditions for Network Engineering remain challenging, the Group will continue to benefit from its restructuring to a leaner and more cost effective operation. The improving domestic economy augurs well for Logistics as it continues to focus on offering value-added solutions to its customers.

Barring any unforeseen adverse circumstances, the Group expects to improve on its previous year's performance.

11. DIVIDENDS

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) DATE PAYABLE

N.A.

(d) BOOKS CLOSURE DATE

N.A.

12. If no dividend has been declared/recommended, a statement to that effect.

No interim dividend has been declared for the period ended 31 March 2004.

13. SEGMENT ANALYSIS

March 2004
Business Segments

	Network Engineering $'000	Shipping $'000	Logistics $'000	Investments $'000	Adjustments/ Eliminations $'000	Consolidated Total $'000
Sales to third parties	27,814	5,653	16,186	640	-	50,293
Inter-segment sales	1,521	246	851	-	(2,618)	-
Consolidated sales	29,335	5,899	17,037	640	(2,618)	50,293
Operating profit/(loss)	842	1,702	1,344	(929)		2,959
Investment and interest income	49	3	22	9		83
Interest expense	(580)	(288)	(161)	(421)		(1,450)
Share of results of associated companies and jointly controlled entity	406	389	(20)	6,619		7,394
Profit before tax and exceptional items	717	1,806	1,185	5,278		8,986
Exceptional items	(4,187)	5,627	-	(431)		1,009
(Loss)/profit before taxation	(3,470)	7,433	1,185	4,847		9,995
Taxation	686	(7)	(388)	149		440
(Loss)/profit after taxation	(2,784)	7,426	797	4,996		10,435
Minority interests	(335)	-	(302)	(27)		(664)
Attributable (loss)/profit	(3,119)	7,426	495	4,969		9,771
Other Information						
Segment assets	261,616	90,417	184,077	116,844	(179,964)	472,990
Investment in associated companies and jointly controlled entity	28,708	18,875	1,021	72,665	-	121,269
Total	290,324	109,292	185,098	189,509	(179,964)	594,259
Segment liabilities	253,508	73,290	57,278	128,403	(179,964)	332,515
Net assets	36,816	36,002	127,820	61,106	-	261,744
Capital expenditure	200	-	2,006	-		2,206
Depreciation and amortisation	693	835	2,001	82		3,611

By Geographical Location

	Singapore $'000	Far East and ASEAN other than Singapore $'000	Others $'000	Consolidated Total $'000
Sales to third parties	18,428	29,941	1,924	50,293
Total assets	387,620	196,683	9,956	594,259
Capital expenditure	710	1,488	8	2,206

Discontinuing shipping and investments activities are carried out principally in Singapore.

March 2003
Business Segments

	Network Engineering $'000	Shipping $'000	Logistics $'000	Investments $'000	Adjustments/ Eliminations $'000	Consolidated Total $'000
Sales to third parties	36,416	8,624	16,612	2,565	-	64,217
Inter-segment sales	-	859	1,108	270	(2,237)	-
Consolidated sales	36,416	9,483	17,720	2,835	(2,237)	64,217
Operating (loss)/profit	(1,142)	901	1,642	(2,381)		(980)
Investment and interest income	(62)	-	1,666	162		1,766
Interest expense	(536)	(379)	(178)	(140)		(1,233)
Share of results of associated companies and jointly controlled entity	631	139	34	6,074		6,878
(Loss)/profit before tax and exceptional items	(1,109)	661	3,164	3,715		6,431
Exceptional items	-	-	(134)	304		170
(Loss)/profit before taxation	(1,109)	661	3,030	4,019		6,601
Taxation	(859)	(20)	(127)	(1,559)		(2,565)
(Loss)/profit after taxation	(1,968)	641	2,903	2,460		4,036
Minority interests	(549)	-	(394)	(30)		(973)
Attributable (loss)/profit	(2,517)	641	2,509	2,430		3,063

Other Information

Segment assets	265,550	91,899	190,431	145,090	(223,480)	469,490
Investment in associated companies and jointly controlled entity	33,843	16,625	1,078	75,518	-	127,064
Total	299,393	108,524	191,509	220,608	(223,480)	596,554
Segment liabilities	261,530	76,411	66,892	156,640	(223,480)	337,993
Net assets	37,863	32,113	124,617	63,968	-	258,561
Capital expenditure	648	-	1,085	26		1,759
Depreciation and amortisation	1,226	810	1,991	398		4,425

By Geographical Location

	Singapore $'000	Far East and ASEAN other than Singapore $'000	Others $'000	Consolidated Total $'000
Sales to third parties	23,699	38,208	2,310	64,217
Total assets	382,826	182,490	31,238	596,554
Capital expenditure	476	1,177	106	1,759

Discontinuing shipping and investments activities are carried out principally in Singapore.

Notes:

(a) Pricing of inter-segment sales is at fair market value.
(b) Net assets employed by segments are those identifiable assets less liabilities that are used in the operation of each segment as at the end of the financial period.
(c) Share of associated companies' results and investments in associated companies are included in the results and net assets employed in the appropriate segments.
(d) Analysis by geographical location is based on the locations in which the Group's activities are carried out.
(e) Certain comparative figures have been reclassified to conform to current year's presentation.

14. REVIEW OF SEGMENT PERFORMANCE

N.A.

15. INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920).		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual.	
	2004 3 Months $'000	2003 3 Months $'000	**2004 3 Months $'000**	2003 3 Months $'000
General Transactions				
Keppel Corporation Limited	-	-	-	1,850
Singapore Telecommunications Limited	-	-	1,216	-
Treasury Transactions				
Keppel Corporation Limited	-	-	70,260	16,907
Management Services				
Keppel Corporation Limited	-	-	547	919
Divestment Transactions				
Keppel Corporation Limited	-	304	-	-
	-	304	72,023	19,676

16 ANNUAL DIVIDEND

N.A.

BY ORDER OF THE BOARD

CAROLINE CHANG/CAROL AU
Company Secretaries
22 April 2004